



May 1988

## WHAT IS CO-OPERATIVE HOUSING?

Housing co-operatives are groups of people who have joined together to provide their own housing through joint ownership. Unable to buy their own homes, faced with escalating rents, and unhappy with the insecurity of the rental market, people from all income brackets have turned to housing co-ops as a way to enjoy a secure, affordable home designed to suit their needs in a strong community environment.

### How does a co-operative work?

Co-ops are member-controlled organizations, and the people who occupy the housing owned by the co-operative corporation are its members. Unlike tenants in a traditional rental situation, each member has one vote in the operation of the co-op. Every year the members elect, from among themselves, a Board of Directors to manage the business and affairs of the co-op. Instead of rent, members pay a monthly housing charge to cover the cost of mortgage, taxes and all operating expenses. There is no landlord, and housing charges rise only as costs increase.

### What does membership mean?

Membership means joint ownership and control of one's housing. From the co-op's inception, the members decide on design, development and policy. Later, they serve on committees responsible for activities including member selection, maintenance, finance and newsletters. Each member can run for election to the Board of Directors. All are asked to attend members' meetings where they participate in major decisions. Staff or other professionals may be hired to handle specific problems, but the final decisions and responsibility rest with the members. Members do not individually own the units they occupy but lease them from the co-operative.

### Advantages of co-operative housing

#### 1. Housing on a Non-Profit Basis

Co-operative housing is designed to be affordable. It may not be bought or sold for profit. Unlike rents, co-op housing charges rise only with increases in operating costs.

#### 2. Security of Tenure

Members of housing co-ops have the right to permanent residency as long as they respect the obligations of membership. Joint ownership eliminates the insecurity of rental market by putting control of housing stock in the hands of resident members.

#### 3. Democratic Control by Members

Each member has one vote in making decisions on important matters such as housing charges, the election of directors and the rules and regulations members will be expected to follow.

#### 4. Housing Built with Quality

Within the budget limits set by members, the co-op seeks to provide the highest quality housing possible - both in initial construction and through continuing maintenance. Co-ops are required, by government rules, to maintain capital reserves for the replacement of worn-out buildings and equipment.

#### 5. Building Communities

Housing co-ops can maintain or rebuild communities threatened by decay or urban renewal. Members share common goals in the management of their co-operative corporation, and a sense of community arises from working together. Members of housing co-ops often assist each other in ways beyond their housing needs.

#### **Is government assistance available?**

Housing co-ops are financed with the help of federal and provincial housing programs. Assistance lowers the cost of the mortgage and subsidizes housing charges for those who cannot afford market rents. Using government funding responsibly, co-ops build strong mixed-income communities.

#### **How do people become co-op members?**

Some, through contact with local co-op housing federations or resource groups (non-profit organizations which develop new co-ops) join as members of developing co-ops. Others, through direct application to existing co-ops, join after a co-op is occupied. Most existing co-ops close their waiting lists once they reach a certain number. Potential members are interviewed and contacted when spaces become available. They must show willingness to participate in the management and maintenance of the co-op. Most co-ops require members to pay a minimal membership deposit upon joining, which is refunded when the member leaves the co-op.

#### **What is the Co-operative Housing Foundation of Canada (CHF)?**

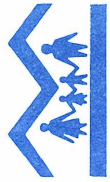
The Co-operative Housing Foundation of Canada is the national association of non-profit housing co-operatives. With memberships of more than 400 housing co-operatives and several resource groups and federations across Canada, CHF provides members with information, education and resources in co-op management and promotes the continued development of co-op housing. CHF's member education program has gained international attention, its government relations program has been called "one of the best in Ottawa" and its democratic structure encourages meaningful member participation.

#### **Who can you contact for more information?**

Your local federation or resource group:

OR:        THE CO-OPERATIVE HOUSING FOUNDATION OF CANADA  
              275 Bank Street, Suite 202  
              Ottawa, Ontario  
              K2P 2L6





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## THE STRUCTURE OF THE CANADIAN CO-OPERATIVE HOUSING MOVEMENT

The co-operative housing movement in Canada is multi-tiered. It comprises a national organization of housing co-operatives, local, regional and provincial organizations which develop new co-operatives and provide services to existing ones, associations of people employed by co-operatives, and housing co-operatives themselves. Members of the national association join directly, or indirectly through membership in another organization.

The movement is founded on democratic principles, so each member enjoys one vote in the organizations to which they belong directly. The services provided at each level are complementary, and together form a well-co-ordinated whole -- maintaining, expanding and strengthening co-operative housing in Canada.

### **I The Co-operative Housing Foundation of Canada**

The Co-operative Housing Foundation of Canada (CHF) is the national association of non-profit continuing housing co-operatives and their support organizations. CHF's mandate is to support the development of non-profit continuing housing co-operatives in Canada and to ensure the viable operation of existing housing co-operatives. It was founded in 1968 by the Canadian Labour Congress, the Co-operative Union of Canada and the Canadian Union of Students.

CHF provides many services to developing and existing co-operatives including technical consultation with co-op development groups, creation of co-op management educational materials, co-op staff and volunteer instructor training, financial and management consulting and financial assistance, production of a quarterly co-op news letter and bulk purchasing of services such as insurance. It also undertakes research and public relations on behalf of housing co-ops and works with the federal government on the co-op housing program.

Each member of CHF appoints one delegate as its liaison to the national association. Delegates convene annually at a general meeting to vote on policy matters and elect CHF's board of directors.

### **II Provincial Confederations**

Provincial confederations exist in Ontario and Québec. They act as vehicles for information sharing and provincial political action on issues affecting the sector. The Co-operative Housing Association of Ontario (CHAO), represents Ontario resource groups, co-operative housing federations and staff associations. CHAO and its members belong to CHF. In Québec, co-operative housing resource groups and federations have developed differently. The resource groups are organized into six associations which liaise through the Coordination Nationale des Grts. The five Québec federations belong to the Conseil Québécois des Coopératives d'Habitation (CQCH). Informal links exist between CQCH and the Coordination Nationale des Grts. Although the Québec federations, resource groups and resource group associations are members of CHF, the two confederations are not.

### **III Co-operative Housing Federations**

Co-operative housing federations are local associations of housing co-operatives. The federations train co-operative members to manage their projects independently, and they provide them with several consultative services. They also provide co-ops with a place to share information and exert political pressure.

There are eighteen federations of housing co-operatives across Canada. They participate actively in CHF. All federations receive their mandate from their member housing co-operatives, which convene annually or semi-annually to vote on policy matters and elect directors.

### **IV Co-operative Housing Resource Groups**

Co-operative housing resource groups help people to organize and develop non-profit housing co-operatives locally. The development of large housing projects is a complex task that can take years. Resource groups provide specialized technical assistance throughout the development process. Services provided by resource groups fall into two broad categories: property development and membership development.

More than sixty resource groups across Canada are members of CHF, including thirty in Québec. They participate in CHF at the annual general meeting and are represented on CHF's development committee. The committee meets twice yearly to advise the board of directors on issues relating to the development of new housing co-ops.

In some areas, one organization acts as both a resource group and a federation.

### **V Housing Co-operatives**

Housing co-operatives, the backbone of the movement, are autonomous corporations in which each member-resident is entitled to one vote in the co-operative's decision-making process.

In English Canada, co-operatives are encouraged to join both their local federation and the national organization. As direct members of both, they participate in decision-making at the local and national levels through attendance at annual meetings. In Québec, housing co-operatives participate in CHF through their local federations.

### **VI Staff Associations**

Staff associations are organizations of people hired by housing co-operatives. This includes co-ordinators, who oversee the general management of projects, and administrative, cleaning and maintenance staff.

At present, CHF has only one member staff association, Co-Action in Toronto. Co-Action participates in CHF activities at the AGM and through a sub-committee of the operations committee.





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## THE CANADIAN CO-OPERATIVE HOUSING MOVEMENT: A Brief History

- |             |                                                                                                                                                                                                                                                                                                                                                  |
|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1930's      | "Sweat equity" co-operatives, wherein co-operatives form to collectively build houses for private ownership by members, gain popularity in Maritimes, Québec and Ontario.                                                                                                                                                                        |
| 1934        | First student continuing co-operative, wherein the co-operative continues after completion of construction and members do not assume individual ownership of units, is formed at University of Toronto.                                                                                                                                          |
| 1944        | Federal Advisory Committee on Reconstruction recommends federal financial assistance for low-rental housing constructed, operated and managed by co-operative associations.                                                                                                                                                                      |
| Late 1940's | Student continuing co-operatives are developed in several Canadian cities.                                                                                                                                                                                                                                                                       |
| 1960        | Co-operative Housing Association of Manitoba (CHAM) is formed to sponsor development in Winnipeg of Willow Park, Canada's first continuing housing co-operative for families.                                                                                                                                                                    |
| 1962        | In its <u>Report on Co-operative Housing</u> , Co-operative Union of Canada (CUC) strongly recommends federal legislation and financial support for continuing housing co-operatives.                                                                                                                                                            |
| 1966        | Willow Park, Canada's first continuing housing co-operative for families, opens. Federal government finances student co-operatives for the first time through its student housing program.                                                                                                                                                       |
| 1967        | National Labour Co-operative Committee (NLCC) is established by Canadian Labour Congress (CLC) and CUC to promote development of continuing housing co-operatives based on Willow Park model. As demand for NLCC's services grow, the need for a formal organization to promote continuing co-operatives becomes evident.                        |
| 1968        | Co-operative Housing Foundation of Canada (CHF) is established by CLC, CUC and Canadian Union of Students to promote development of continuing housing co-operatives. CHF submits brief to Federal Task Force on Housing and Urban Development (Hellyer Task Force) recommending federal legislation and financing for continuing co-operatives. |
| 1969        | Construction begins on two continuing housing co-operatives sponsored by a labour union and a credit union. (Solidarity Towers in Windsor, Ontario and Abbotsford Co-operative in Abbotsford, B.C.). Hellyer Task Force recommends federal legislation and financial support for continuing housing co-operatives.                               |

- 1970 Federal government announces \$200 million Innovative Fund for social housing. CHF negotiates \$30 million to finance five pilot co-operative housing projects. By 1973, 1,800 units of co-operative housing are developed without the aid of enabling legislation and ongoing government financial assistance.
- 1972 Dennis & Fish report on low income housing recommends federal financial assistance to co-operative housing developers. Conference on co-operative housing in Winnipeg recommends changes to the National Housing Act (NHA) to further development of continuing housing co-operatives.
- 1973 NHA is amended and Canada's first co-operative housing program is introduced. Production increases and between 1973 and 1978, more than 8,000 co-operative housing units or an average of 1,400 units per year are developed.
- Early 1970's Local organizations called resource groups, are founded to develop and service housing co-operatives in Vancouver, Edmonton, Toronto, Halifax and Montréal; and federations are founded in Toronto and Sherbrooke.
- 1978 NHA and co-operative housing program are amended. Production soars and between 1979 and 1986, almost 34,000 units of co-operative housing or an average of 4,800 units per year are developed.
- 1983 CMHC's evaluation of the Section 56.1 non-profit and co-operative housing programs is released. While lauding co-operatives for producing good quality, affordable housing, for efficient and democratic operation and for creating healthy communities, the report attacks co-operatives as costly and poorly targetted.
- 1984 In response to CMHC's evaluation, the federal government reduces financial assistance to co-operatives by 40%. Québec establishes a provincial co-operative housing program which produces 1,300 units between 1984 and 1986.
- 1985 Federal government undertakes a consultation process on housing, resulting in termination of the Section 56.1 non-profit and co-operative housing programs.
- 1986 Unilateral federal co-operative housing program based on the index-linked mortgage is introduced. The program, financed under Section 56.1 of the NHA, features government insurance on private sector loans to co-operative housing projects. Almost 7,000 units are financed federally in 1986 and 1987. Manitoba and Ontario establish provincial co-operative housing programs. In 1986 and 1987, Manitoba produces 120 units while Ontario finances 2,500 units.
- 1987 Number of co-operative housing units in Canada exceeds 54,000.





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## FEDERAL CO-OPERATIVE HOUSING PROGRAMS

Since 1973, when Canada's first co-operative housing program was introduced by the federal government, approximately 53,000 units of co-operative housing have been funded through a variety of programs. The vast majority of the units have been produced under federal programs, although some provinces have experimented with co-operative housing.

### I. 1973 Co-operative Housing Program

In 1973, the National Housing Act (NHA) was amended and Canada's first co-operative housing program was introduced. The program was financed under Section 34.18 of the NHA and produced approximately 8,200 units.

#### Program Features:

- o Direct government loans for up to 100% of project costs, with 10% forgiven;
- o Below market interest rate on loans;
- o Mortgage repayment period of 50 years;
- o \$10,000 in project start-up funding to assist with architectural, engineering and planning fees;
- o Rent supplement assistance for low income co-operative members (15% ceiling on number of units eligible);
- o RRAP grants for renovation of existing buildings as co-operatives;
- o Funding for establishment of non-profit and co-operative resource groups.

### II. 1978 Co-operative Housing Program

In 1978, the NHA and co-operative housing program were amended. The new program was financed under Section 56.1 of the N.H.A and produced approximately 33,900 units.

#### Program Features:

- o Government insurance on private sector loans contracted at market interest rates to finance up to 100% of project capital costs;
- o Annual assistance to reduce all housing charges to the lower range of market rents for comparable housing in the area and to enable a minimum of 15% of co-operative housing units to be offered to low and moderate income households at 25% of income;
- o Mortgage repayment period of 35 years;
- o Increase in project start-up funding to \$75,000;
- o RRAP grants for renovation of existing buildings as co-operatives;
- o Increased start-up funding for resource groups.

### **III. 1986 Co-operative Housing Program**

In 1986, the federal co-operative housing program was changed again. While the federal government still aids the development of co-operative housing through insuring private sector mortgages and providing assistance to reduce housing charges to market rent levels, the current federal program is based on an index-linked mortgage (ILM), an innovative mortgage developed in Scandinavia. With the ILM, the interest rate is linked to the annual rate of inflation expected over the entire life of the mortgage. Payments therefore are lower than those on regular mortgages in the early years of the project. However, over the long term they even out with regular mortgages.

#### **Program Features:**

- o 30 year private sector loans to cover up to 100% of project costs, with an extension to 35 years possible if a co-op needs to defer payments;
- o Federal annual assistance to bring housing charges down to local market rent levels in the year the co-op opens;
- o Assistance for both new construction and rehabilitation;
- o \$5,000 per unit to assist with adaptation of 5% of units in a co-op for the physically disabled (where practical);
- o Requirements that a minimum of 15% and a maximum of 30% of each co-operative's units be occupied by low income households receiving rent supplements. Supplements are cost-shared by the federal and provincial governments;
- o Internal security of tenure fund established by the co-operative to assist co-op members facing affordability problems after they move in;
- o Internal replacement reserve fund for maintenance or replacement of major capital items such as roofs and appliances;
- o ILM stabilization fund to assist ILM co-ops with financial problems.

In 1986 & 1987, respectively, 2,899 and 3,767 units were funded under the federal program. Estimates suggest 3,000 units will be developed in 1988.





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## PROVINCIAL CO-OPERATIVE HOUSING PROGRAMS

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### I. The Québec Logipop and Non-Profit Housing Programs

Québec has been the leader among provinces in funding housing co-operatives. Between 1984 and 1986, Québec sponsored the Logipop Program, which extended assistance to private and non-profit landlords for the renovation or conversion of existing buildings and the construction of new units.

#### Logipop Program Features:

- o Government-insured private market financing to cover up to 100% of project costs;
- o Renovation and interest payment subsidies for landlords;
- o Grants of \$3,000 per unit for co-operative groups to assist in acquisition of units;
- o Preferred treatment for projects housing households with annual incomes below \$25,000;
- o Rent supplements to ensure qualifying households paid no more than 25% of income for housing. In 1984 and 1985, rent supplements were available for 25% of the units developed; the limit was raised to 40% in 1986.

Approximately 1,300 co-operative housing units were developed under the Logipop program. Since its termination in 1986, co-operatives in Québec, other than those financed under the federal ILM Program, have been developed under the federal-provincial cost-shared non-profit housing program.

#### Non-Profit Program Features:

- o Private-market loans, insured by the federal government, to cover up to 100% of capital costs;
- o Cost-shared rent supplement assistance for 100% of units to ensure qualifying households pay no more than 25% of income for housing.

In 1987, 338 co-operative units were developed under the non-profit housing program. Negotiations are underway regarding the re-establishment of a separate provincial co-operative housing program.

### II. The Ontario Co-operative Housing Program

The Ontario Co-operative Housing Program was introduced in 1986. The federal and provincial governments share the cost of the program.

Program Features:

- o Government-insured private market financing;
- o Annual assistance to bring initial housing charges down to the level of local market rents. Assistance is withdrawn gradually over a period of years;
- o Requirements that a minimum of 40% of units in co-operatives be occupied by households receiving rent supplements;
- o Requirements that 25% of units be reserved for households falling into the "neediest" category as defined by the province, with the remaining 15% reserved for "core need" households as defined by the federal government;
- o Allowance for individual co-operatives to exceed the 40% minimum, and to subsidize households not in core need who are unable to afford the housing charge without spending more than 25% of income;
- o Focus on new construction, although some assistance available for rehabilitation of existing housing.

To date, 2,500 units have been produced under the Ontario program. An additional 1,200 units are slated for 1988.

**III. The Manitoba Co-operative Homestart Program**

The Manitoba Co-operative Homestart Program was introduced in 1986 to enable co-operative groups to renovate or convert existing (pre-1961) buildings to housing co-operatives.

Program Features:

- o Direct government loans at reduced interest rate to finance up to 100% of eligible project costs;
- o Additional assistance to reduce housing charges to the lower range of local market rent levels;
- o Development funding and start-up assistance to finance feasibility studies to carry the project to the design and cost-estimate stage
- o Rent supplement assistance to reduce rents to 25% of income for qualifying households;
- o Requirements that a minimum of 5% of units per project be designed as "mobility units" - they must incorporate design features to enable easy adaptation for physically disabled co-operative members. Additional assistance available to projects which develop units accessible to and adapted for the disabled.

The Manitoba government also provides funding, through its Complementary Assistance Program, for rent supplement assistance above the 30% limit agreed to with the federal government for federally funded ILM co-operatives in Manitoba. This additional rent supplement funding is targetted to households who are not eligible under ILM program guidelines for rent supplement assistance, but whose incomes are too low to enable them to pay market housing charges without exceeding the federal-provincial income guideline of 30%.

To date, 120 units have been funded through the Manitoba program. 100 units are expected to receive funding in 1988.





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## CO-OPERATIVE HOUSING UNIT ALLOCATIONS, BY PROVINCE, 1973-1987

	CANADA	Nfld	PEI	NS	NB	Que	Ont	Man	Sask	Alta	BC	NWT
<1973	1827						695	373	48	430	281	
1973	180							106			74	
1974	1552						855	140	91		466	
1975	1482	11		6		68	420	162		10	805	
1976	1683			98		500	469	250	108	133	125	
1977	1878			9		319	989	340	10	145	66	
1978	1458			53		430	908			23	44	
1979	2723			59		1553	649			80	382	
1980	4622	8	4	90	98	767	1517		24	252	1862	
1981	5351	120	10	199	86	723	2375	98	50	201	1489	
1982	6483	188	11	345	107	1603	2295	8	158	411	1307	50
1983	6064	72		284	72	1430	2500	94	140	258	1194	20
1984	3877 *424			183	64	1167 *424	1491	47	80	77	768	
1985	4748 *424		37	180	126	1447 *424	1491	133	121	82	1101	30
1986	2899 *1585		24	179	45	836 *425	943 *1100	137 *60	50	90	595	
1987	3767 *1798	33	28	205	76	1074 *338	1189 *1400	216 *60	62	107	727	50
	50594	432	114	1890	674	11917	18786	2104	942	2299	11286	150
	<u>*4231</u> 54825					<u>*1611</u> 13528	<u>*2500</u> 21286	<u>*120</u> 2224				

\* Designates provincial program allocations.  
Yukon Territory has not received an allocation to date.

## **PART I**

### **WHAT IS CO-OPERATIVE HOUSING?**

Housing co-operatives are incorporated, non-profit businesses organized by people who have joined together to provide their own housing through joint ownership. Unable to buy their own homes, faced with escalating rents, and unhappy with the insecurity of the rental market, people from all income brackets have turned to housing co-ops as a way to enjoy a secure, affordable home designed to suit their needs in a strong community environment.

#### **A. How does a Co-operative work?**

Co-ops are member-controlled organizations, and the people who occupy the housing owned by the co-operative corporation are its members. Unlike tenants in a traditional rental situation, each member has one vote in the operation of the co-op. Every year the members elect, from among themselves, a Board of Directors to manage the business affairs of the co-op. Instead of rent, the members pay a monthly housing charge to cover the cost of the mortgage, taxes, and all operating expenses. There is no landlord, and housing charges rise only as costs increase.

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## **C. Advantages of Co-operative Housing**

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## PART II

### THE STRUCTURE FOR THE CANADIAN CO-OPERATIVE HOUSING MOVEMENT

The co-operative housing movement in Canada is multi-tiered. It comprises a national organization of housing co-operatives, local, regional and provincial organizations which develop new co-operatives and provide services to existing ones, associations of people employed by co-operatives, and housing co-operatives themselves. Members of the national association join directly, or indirectly through membership in another organization.

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#### **B. The Co-operative Housing Federation of British Columbia**

The Co-operative Housing Federation of B.C. is a federation of existing housing co-operatives in British Columbia, financed by membership fees, grants from CHF/Canada and various resource groups. CHF/BC provides services to co-operatives in three main areas:

1. Education - weekend or evening workshops in technical and financial areas, democratic functioning, etc. Provides specific consulting advice and mediation services on request.

2. Information/Public Relations - acts as a voice for housing co-ops with media, civil servants and government. Publishes a newspaper 10 times a year.

3. Financial Services - establishes a professional management company, geared to providing "co-operative" professional services. Established an investment pool for the benefit of individual housing co-operatives and the co-op housing sector.

#### **C. Co-operative Housing Resource Groups**

Co-operative housing resource groups help people to organize and develop non-profit housing co-operatives locally. The development of large housing projects is a complex task that can take years. Resource groups provide specialized technical assistance throughout the development process. Services provided by resource groups fall into two broad categories: property development and membership development.

More than sixty resource groups across Canada are members of CHF. They participate in CHF at the annual general meeting and are represented on CHF's development committee. The committee meets twice yearly to advise the Board of Directors on issues relating



to the development of new housing co-ops.

CHF has developed an accreditation process that ensures the quality of services provided by member resource groups.

Accredited resource groups in the Lower Mainland are:

1. Access Building Association
2. Affordable Housing Association
3. Columbia Housing Advisory Association
4. Inner City Housing Society

### PART III

#### THE CO-OPERATIVE HOUSING PROGRAM

In 1986 a new federal co-operative housing program was instituted. While the federal government still aids the development of co-operative housing through insuring private sector mortgages and providing assistance to reduce housing charges to market rent levels, the current federal program is based on an index-linked mortgage (ILM), an innovative mortgage developed in Scandinavia. With the ILM, the interest rate is linked to the annual rate of inflation expected over the entire life of the mortgage. Payments therefore are lower than those on regular mortgages in the early years of the project. However, over the long term they even out with regular mortgages.

##### A. Program Features

1. 30 year private sector loans to cover up to 100% of project costs, with an extension to 35 years possible if a co-op needs to defer payments.
2. Federal annual assistance to bring housing charges down to local market rent levels in the year the co-op opens.
3. Assistance for both new construction and rehabilitation.

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DOUG: 21-Sep-89

4. 10% of the maximum unit price for 5% of the units adapted for the physically disabled (where practical).

5. A maximum of 30% of each co-operatives units are to be occupied by low income households receiving rent supplements. Supplements are cost-shared by the federal and provincial governments.

6. Internal security of tenure fund established by the co-operative to assist co-op members facing affordability problems after they move-in.

7. Internal replacement reserve fund for maintenance or replacement of major capital items such as roofs and appliances.

8. ILM stabilization fund to assist ILM co-ops with financial problems.

#### **B. The C.M.H.C. Approval Process**

1. Once a year CMHC issues a proposal call for housing co-operatives. The system is based on several assumptions:

- a) Developments can occur and succeed according to a pre-determined schedule.
- b) Projects are selected through a strict competitive process according to CMHC's evaluation.
- c) Access to land and the ability to hold it during the planning stages and prior to CMHC approval is the responsibility of the co-operative.

2. CMHC establishes Maximum Unit Price (MUP's) which must never be exceeded, design requirements that must be met, and rigid application of regulations that makes any co-operative development very difficult.

#### **C. Conflicting Pressures on Development of Housing Co-operatives**

1. Community Acceptance - demands certain standards of design



as well as maintenance and social environment.

2. Cost Control - pressure on CMHC to produce this housing for as little cost to government as possible: - cost control mechanisms (MUP's, subsidy restrictions) - design approval - approval of every line item in capital budget.

3. Municipal Approval - process and requirements of local authorities.

4. Resident Requirements - requirements and needs of the housing co-op members themselves.

## PART IV

### MUNICIPAL LAND LEASING

#### A. INTRODUCTION

Land value and off-servicing costs have a major impact on the economics of each project. Given existing CMHC program guidelines, if money is spent on land there is less for the building which affects livability, the quality of design, property values, construction wages, etc.

The municipality is in a position to take direct action to affect the affordability of housing through the pricing of municipal land and off-site servicing.

Generally speaking, municipalities lease land only; the buildings are constructed on the property and owned by the non-profit housing society or co-operative. The lease price is usually written down to about 75% of the fair market value, to be prepaid in full by the non-profit society or co-operative upon transfer of the lease. The lessee is a non-profit continuing co-operative, not a developer or contractor.

The municipal departments involved in the administration of leases are Planning, Properties/Land Agent, Engineering, Legal and

City Clerk, as well as Social Planner in those municipalities which have one.

### 1. Property Acquisition vs. Municipally-owned Lands

Municipal leases often involve lands already owned by the Municipality. This type of arrangement can facilitate changing land uses in response to changing community needs. Vancouver's False Creek and Champlain Heights are examples of a municipality changing the land use from industrial to residential. In both cases the process was accomplished more readily by providing affordable land to non-profit societies and co-operatives to pave the way to a completely new residential neighborhood.

On the other hand, a municipality can also assist in the integration of affordable housing into an area of higher property values. Often development of non-market housing is blocked because of budget guidelines of government social housing programs. By purchasing property with the intent of leasing back to a non-profit society or co-operative at a discount, the municipality has invested in the long-range livability of their community.

This may be a process that occurs over several years if a municipality targets a specific site. By planning in advance and purchasing the lots over time as they become available, the entire site can be assembled until the timing is right for new residential development.

### 2. Terms and Conditions

Municipal lease terms can be 40, 60 or 99 years. They always contain provisions regarding the use of lands for continuing affordability. Other conditions include requirements and restrictions regarding insurance, repairs and maintenance, subletting, option to renew, etc.

## **B. BENEFITS AND DRAWBACKS OF MUNICIPAL LEASES**

### 1. For the Municipality



Benefits

- land bank for future
- paid in advance, so benefits current cash position
- ensures availability of affordable housing for municipality
- control over use of land (e.g. target group, housing form, management of property by lessee)

Drawbacks

- can be costly if land is purchased and held for long periods without increases in value
- use of staff time in administration

2. For the Target Market (Low to Moderate Income Families and Individuals)

Benefits

- expands pool of available land for development of affordable housing
- control of development in hands of non-profit continuing co-operative rather than developer/builder

Drawbacks

- limits ownership to term of lease
- another level of government/bureaucracy to be accountable to and provide information and reports for.

**C. MUNICIPALITIES THAT USE MUNICIPAL LEASES**

1. City of Vancouver

There are about 80 sites currently being leased to non-profit societies and co-ops by the City of Vancouver. Many sites along the ALRT route have been purchased, with the intention of leasing to co-ops or societies.

Ownership of False Creek and Champlain Heights allowed the City to enforce income mixing (1/3 - 2/3) in those large tracts of land which were assigned new uses. Co-op housing can introduce residential components into new development areas like these.

## 2. District of North Vancouver

The District leases property to 2 or 3 societies or co-operatives. These have 99 year leases.

## 3. City of North Vancouver

North Vancouver has two properties which it leases to non-profit societies/co-ops. One is a 42 year lease with GVHC rental project, targeted 100% to families in core need. The other is a 60 year lease with Creekside Housing Co-operative. The City Council is currently looking at a social housing policy which will include leasing as one approach to encouraging the development of affordable housing.

## 4. City of West Vancouver

The Amblevue Housing Co-op, a resident funded (non-subsidized) seniors co-op, has a 60 year lease with the City at 75% of market value.

## **D. CONCLUSIONS**

Municipalities would benefit by including the leasing of municipal lands in its overall community planning. In the short term it would ensure the availability of affordable housing in most locations. In the long term it would provide a bank of lands belonging to the municipality for future use.

The financial benefit of leasing those lands now owned by the municipality is that of revenue which, though written down to 75% of market, would in many cases be more than the original purchase price. The prepaid lease would provide revenue now while retaining ownership.

PART V

HISTORY OF CO-OPERATIVES

We in the co-operative housing sector want to continue a dialogue with your Municipality on the development of new housing initiatives. Supplementary information is available at your request.

A. HISTORY OF THE CANADIAN CO-OPERATIVE HOUSING MOVEMENT

1930's "Sweat equity" co-operatives, wherein co-operatives form to collectively build houses for private ownership by members, gain popularity in Maritimes, Quebec and Ontario.

1934 First student continuing co-operative, wherein the co-operative continues after completion of construction and members do not assume individual ownership of units, is formed at University of Toronto.

1944 Federal Advisory Committee on Reconstruction recommends federal financial assistance for low-rental housing construction, operated and managed by co-operative associations.

Late 1940's Student continuing co-operatives are developed in several Canadian cities.

1960 Co-operative Housing Association of Manitoba (CHAM) is formed to sponsor development in Winnipeg of Willow Park, Canada's first continuing housing co-operative for families.

1962 In its Report on Co-operative Housing, Co-operative Union of Canada (CUC) strongly recommends federal legislation and financial support for continuing housing co-operatives.



- 1966 Willow Park, Canada's first continuing housing co-operative for families, opens. Federal government finances student co-operatives for the first time through its student housing program.
- 1967 National Labour Co-operative Committee (NLCC) is established by Canadian Labour Congress (CLC) and CUC to promote development of continuing housing co-operatives based on Willow Park model. As demand for NLCC's services grow, the need for a formal organization to promote continuing co-operatives becomes evident.
- 1968 Co-operative Housing Foundation of Canada (CHF) is established by CLC, CUC and Canadian Union of Students to promote development of continuing housing co-operatives. CHF submits brief to Federal Task Force on Housing and Urban Development (Hellyer Task Force) recommending federal legislation and financing for continuing co-operatives.
- 1969 Construction begins on two continuing housing co-operatives sponsored by a labour union and a credit union. (Solidarity Towers in Windsor, Ontario and Abbotsford Co-operative in Abbotsford, B.C.). Hellyer Task Force recommends federal legislation and financial support for continuing housing co-operatives.
- 1970 Federal government announces \$200 million Innovative Fund for social housing. CHF negotiates \$30 million to finance five pilot co-operative housing projects. By 1973, 1,800 units of co-operative housing are developed without the aid of enabling legislation and ongoing government financial assistance.
- 1972 Dennis & Fish report on low income housing recommends federal financial assistance to co-operative housing developers. Conference on

co-operative housing in Winnipeg recommends changes to the National Housing Act (NHA) to further development of continuing housing co-operatives.

1973 NHA is amended and Canada's first co-operative housing program is introduced. Production increases and between 1973 and 1978, more than 8,000 co-operative housing units or an average of 1,400 units per year are developed.

Early 1970's Local organizations called resource groups, are founded to develop and service housing co-operatives in Vancouver, Edmonton, Toronto, Halifax and Montreal; and federations are founded in Toronto and Sherbrooke.

1978 NHA and co-operative housing program are amended. Production soars and between 1979 and 1986, almost 34,000 units of co-operative housing or an average of 4,800 units per year are developed.

1983 CMHC's evaluation of the Section 56.1 non-profit and co-operataive housing programs is released. While lauding co-operatives for producing good quality, affordable housing, for efficient and democratic operation and for creating healthy communities, the report attacks co-operatives as costly and poorly targeted.

1984 In response to CMHC's evaluation, the federal government reduces financial assistance to co-operatives by 40%. Quebec establishes a provincial co-operative housing program which produces 1,300 units between 1984 and 1986.

1985 Federal government undertakes a consultation process on housing, resulting in termination of the Section 56.1 non-profit and co-operative housing programs.

1986                      Unilateral federal co-operative housing program based on the index-linked mortgage is introduced. The program, financed under Section 56.1 of the NHA, features government insurance on private sector loans to co-operative housing projects. Almost 7,000 units are financed federally in 1986 and 1987. Manitoba and Ontario establish provincial co-operative housing programs. In 1986 and 1987, Manitoba produces 120 units while Ontario finances 2,500 units.

1987                      Number of co-operative housing units in Canada exceeds 54,000.